

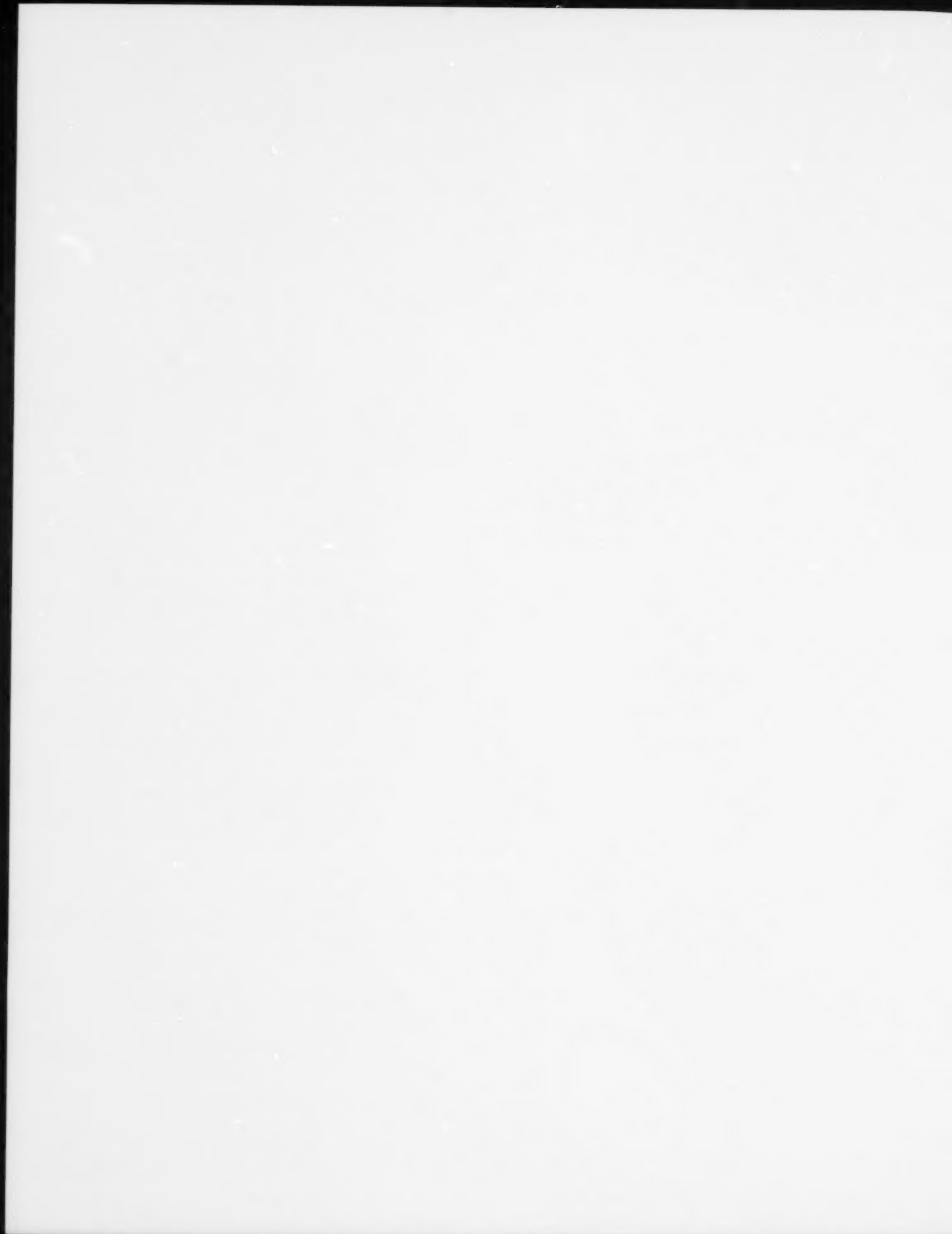
***Universities Academic
Pension Plan Board***

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A N N U A L

R E P O R T

Acadia





GOVERNMENT PENSION BOARDS

1203, Legislature Annex, 9718 - 107 Street, Edmonton, Alberta, Canada T5K 1E4 403/427-7105 Fax 403/427-1621

August 1992

The Honourable Dick Johnston
Provincial Treasurer

Sir:

I have the honour to submit to you the annual report of the Universities Academic Pension Plan Board for the period January 1, 1991 to December 31, 1991. The report outlines the roles and responsibilities of the Universities Academic Pension Plan Board under the legislation governing the plan.

Board activities during the period under review, with respect to its appellate and advisory roles, are described in the report.

Yours truly,

A handwritten signature in dark ink, appearing to read "Brian McDonald".

Brian McDonald
Vice-Chairman



TABLE OF CONTENTS

	Page #
Introduction	1
The Board	2
Summary of Appeals	5
Advice	8
Appendices	
A. Excerpts from the Act	11
B. Summary of Plan Statistics	16
C. Cost of Living Adjustment	18



INTRODUCTION

The calendar year 1991 is the sixth full year of operation of the Universities Academic Pension Plan Board. This Board was established November 1, 1985 under the Universities Academic Pension Plan Act. At March 31, 1992 there were 4,642 active participants and 1,091 pensions in payment.

The Board's main responsibilities are:

- to hear appeals of administrative decisions on pensions made by the Minister,
- to extend time limits under section 10 of the Act and under reciprocal agreements, and
- to advise the Minister responsible for public service pensions on matters relating to the Plan.

The Honourable Dick Johnston, Provincial Treasurer, is the Minister responsible for public service pensions. The Plan is administered by Alberta Treasury, Payroll and Pensions Division.

The Board is made up of ten members appointed by the Lieutenant Governor in Council on the recommendation of their constituencies representing employees, employers and the Government.

The roles of the Board are split between quasi-judicial and advisory. The quasi-judicial role of the Board is summarized in the section Summary of Appeals. A sample of appeal cases is provided for information. The advisory role is discussed in the section Advice.

THE BOARD

The Universities Academic Pension Plan Board consists of four representatives of the academic staff associations, four employer representatives, one member representing the government's interest and the Chairman.

Brief biographies of the Board members as at December 31, 1991 are provided below.

With the exception of the Chairman and Vice-Chairman, Board members serve on a part-time non-remunerative basis. The Chairman also serves as Chairman of the Boards of four other government administered pension plans. A small staff provides professional and administrative services to the five Boards.

To assist the Board in its advisory role, employees, employers and interested groups are encouraged to express their views and concerns on policy issues to the Chairman or their representative Board members.

Members

J. E. Faries

Mr. Jerry Faries is Chairman of the Board and has considerable background in pension policy and administration. He served over 15 years as Director of the Pension Administration. Mr. Faries was Chairman and instructor for the Employee Benefit Administration Certificate program of the University of Alberta for a number of years. Currently he holds several senior positions on other boards and community organizations. His term of office expires on June 30, 1992.

A. F. (Chip) Collins

Mr. Collins, the government representative, is Vice-Chairman of the Board. He served as Deputy Provincial Treasurer from 1972 until his retirement in 1984. Mr. Collins brings to the Board extensive financial, administrative, and public service experience. Mr. Collins was appointed Vice Chairman on January 23, 1985 and his term of office expires on April 1, 1992.

J. M. Allen

Dr. Jeremiah Allen was appointed to the Board on June 13, 1991 and represents the Faculty Members of the University of Lethbridge. Educated in the United States, Dr. Allen received his Bachelor of Arts at Reed College and his Ph. D. in Economics at the University of Colorado. He is currently an Associate Professor in the Economics Department at the University of Lethbridge. His term on the Board expires on April 1, 1995.

R. D. Bercov

Dr. Ronald Bercov was appointed to the Board on August 21, 1987 to represent the Association of Academic Staff of the University of Alberta. Dr. Bercov was Associate Vice-President (Academic) for 1980 - 85 and Acting Dean of Science at the University of Alberta for the 1986-87 year. He is currently Professor of Mathematics. His term of office expires on April 1, 1995.

E. E. Falkenberg

Dr. Eugene Falkenberg was appointed to the Board August 1, 1987 and represents the Faculty Members Association of the University of Lethbridge. Educated in Canada and the United States, he received his Bachelor of Education at the University of Alberta, his Masters of Science at the University of Oregon and his Doctor of Education at the University of Montana. He is presently Professor of Education at the University of Lethbridge. His term of office expired on April 1, 1991.

D. R. Franklin

Mr. Ronald Franklin was appointed to the Board on December 19, 1984 to represent the Board of Governors, University of Calgary. He has experience in private industry prior to joining the University of Calgary in 1964 to direct human resources. He has acted as consultant and management nominee on numerous arbitration boards in the public and private sectors. He is actively involved in community events. His term of office expires on April 1, 1995.

M. G. Hamilton

Dr. Mary Hamilton was appointed to the Board on April 5, 1990 to represent the Faculty Associations of Athabasca University and The Banff Centre for Continuing Education. Dr. Hamilton holds a Masters degree (English) from the University of Windsor and a Ph.D. (Comparative Literature) from the University of Alberta. Her teaching career included working as an English Instructor at the Adult Education Centre of Canada Manpower and various teaching positions in her field with the Universite de Sherbrooke and Athabasca University. She is currently an Associate Professor, English and Humanities at Athabasca University. Her term of office expires on December 31, 1992.

E. A. Hillman

Mr. Eric Hillman was appointed to the Board in October 1987 to represent the Board of Governors, University of Lethbridge. He assumed the position of Vice-President, Administration in August 1987 and has held a number of senior posts at the University of Manitoba and University of Calgary prior to coming to Lethbridge. His term of office expires on December 31, 1992.

T. M. Horbulyk

Dr. Ted Horbulyk was appointed to the Board on April 5, 1990 to represent The University of Calgary Faculty Staff Association. Dr. Horbulyk holds a bachelor's degree in Agricultural Sciences from the University of British Columbia, and he is a Professional Agrologist (Province of Alberta). He earned M.A. and Ph.D. degrees in Economics from Queen's University, Kingston, where he also held the position of Adjunct Instructor in the Department of Economics. His professional experience in Economics includes private-sector service as a consultant, and several public-sector positions with the Government of British Columbia. Currently, Dr. Horbulyk is an Assistant Professor of Economics, The University of Calgary. His term of office expires on April 1, 1992.

B. H. McDonald

Mr. Brian McDonald was appointed to the Board on August 29, 1984 to represent the Board of Governors, University of Alberta. He is presently Associate Vice-President, Academic Administration at the University, a position held since 1978. Prior to joining the University staff he was employed in the oil industry in Calgary. He holds a Bachelor of Commerce degree from the University of Saskatchewan and an MBA from the University of California. His term of office expires on December 31, 1992.

N. Meier

Mr. Norbert Meier was appointed to the Board on April 5, 1990 to represent the Governing Councils of The Banff Centre for Continuing Education and Athabasca University. Educated in the United States, Mr. Meier specialized in Organizational Behaviour. He managed the Management Studies Programs for The Banff Centre's School of Management. Since 1980, he has held his current position of Director, Personnel Services at The Banff Centre. His term of office expires on December 31, 1992.

SUMMARY OF APPEALS

Provisions

The Act provides that decisions of the Minister, which negatively affect plan members' rights under the Pension Plan in any of the following areas, can be appealed:

Participation	Contributions
Pensionable Service	Prior Service
Benefits	

The Act also provides for application to the Board for extension of time limits in respect of pension benefits and benefit choices. Under the terms of the various reciprocal transfer agreements, the Board is empowered to extend time limits on breaks in service and on applications at its discretion.

The provisions dealing with applications under section 10 and appeals under section 34 are outlined for easy reference in Appendix A - excerpts from the Act.

Parties aggrieved by a decision of the Board under section 34 of the Act may appeal to the Court of Queen's Bench within 30 days on a question of law or jurisdiction.

Procedure

A Notice of Appeal form, prescribed by the Minister, is normally provided to the plan member by Payroll and Pensions Division of Alberta Treasury with any adverse administrative decision. This form must be completed and submitted in filing an appeal with the Board. It may also be used for applications for time limit extensions.

Assistance to appellants is available from the Chairman's office. The individual may seek advice on what facts to gather and how these should be presented.

Though hearings are conducted in an informal manner, the Board is guided by the pension legislation and adheres to the principles of natural justice and fairness. The Board has published a Pension Appeal Process brochure which provides guidelines for members of the Alberta Pension Plans.

The Board has authorized the Chairman to reimburse appellants and applicants appearing before the Board for reasonable travel and out-of-pocket expenses. This ensures that all appellants and applicants have the opportunity to appear and present their cases irrespective of their places of residence.

Summary of Appeals and Applications (1991)

During 1991 the UAPP Board decided on 6 appeals and applications, compared to 9 dealt with in the previous year. The Board granted or varied 67% and 78% of the cases in 1991 and 1990 respectively.

In 1991, 83% of the appellants and applicants or their representatives attended their hearings before the Board. This compares to 78% in 1990.

Summary of Appeals and Applications for 1991, by categories, with comparative figures for 1990 - UAPP Board

	1991			1990		
Category	#	% of Total	% Granted or Varied	#	% of Total	% Granted or Varied
Reciprocal Transfer	3	50%	100%	2	22%	100%
Time Limit Extensions (Section 10)	1	17%	0%	2	22%	50%
Appeals (Section 34)	2	33%	50%	5	56%	80%
TOTAL	6	100%	67%	9	100%	78%

Summaries of the following two appeals are intended to be samples of appeals heard by the Board.

Appeal 1 - Transfer

The applicant terminated employment and contributions under the Local Authorities Pension Plan (LAPP) in August 1989. He pursued a doctoral degree in the summer of 1988 and continued his full time studies until the summer of 1991. He was granted a professional leave with pay for the first year and a leave without pay for the second year. He had opted not to continue contribution to the LAPP during the second year of leave. In any event, he remained employed with the LAPP employer until his resignation in August 1990. In July 1990 he started employment with an employer under the Universities Academic Pension Plan (UAPP) and was given approval by the employer to finish his studies by the summer of 1991.

Payroll and Pensions (P & P) declined his application on the basis that the time limit had been exceeded.

The Board extended the time limit to allow the transfer between the UAPP and the LAPP to occur on the basis that the applicant was engaged in full time studies during the break in contributory service.

Appeal 2 - Prior Service

In 1989 the appellant received an estimate from her employer to purchase a period of prior service. The costing was based on her July 1989 salary of about \$44,000. The appellant was advised by her employer to proceed before the July 1 salary increase. The applicant submitted all the necessary forms as directed. Ensuing paper work delayed the process. The applicant was under the impression that there was no deadline for the costing other than that she had to apply before the end of her first year of service to obtain a costing based on lower salary. Payroll and Pensions issued the notice of cost to the employer in November 1990 based on the July 1, 1990 salary.

The Board, in reviewing the facts, determined that the formal application was received by the employer on behalf of the Minister on June 1, 1990. The Board also noted that an informal costing was provided by the employer in accordance with administrative procedures established by the Minister as early as November 1989 when the appellant approached the employer. In either event, the appellant had applied for the service prior to her July 1, 1990 salary increase by making the application to the employer.

The Board vacated the Minister's decision. The appellant was permitted to purchase prior service at 13% of her salary in 1989-1990.

ADVICE

The Minister indicated early in 1991 that he contemplated introducing legislation to meet new Federal Income Tax Act requirements and making a number of "financing, benefit and administrative changes" to the Universities Academic Pension Plan. The Minister brought forward a package of proposals on July 9th, 1991. The Minister requested that the Board respond by the end of September and encouraged plan stakeholders to use the UAPP Board as an avenue to present their views. As a result, the focus of the Board's advisory role in 1991 was to advise the Minister of plan member concerns.

Compliance with the Federal Income Tax Act was important to ensure that required employee contributions remained tax deductible. The plan had to be administered on the new basis effective January 1, 1992. With no guarantee of a Fall sitting, the Board agreed to interim legislation that would allow the plan to be changed through regulation. This legislation had a one year sunset clause and the Board was assured that it would have the opportunity to review the regulations in draft form prior to their submission to Cabinet.

The new Federal Income Tax rules affected the UAPP in a number of ways. The Board responded to draft regulations presented to it in mid November and continued to monitor the implementation of administrative changes. The Board recognized the necessity for many of the changes but was very sensitive to the issue of adequate notice to plan participants. In addition, some changes such as the application of the maximum salary cap were open to interpretation as to whether they were required to meet the Federal rules. With the expectation of final legislation in the Spring session, these issues will be raised by the Board early in 1992.

The bulk of the Minister's July 9th proposals represented a broader pension reform initiative. The Minister is to be commended for attempting to address a number of long standing concerns regarding funding and portability. Included in the proposals was a plan to fully fund Provincially administered pension plans' past service liability, a requirement that employers and employees fully fund future service, the formal recognition of indexing of pensions at 60% of inflation, the removal of prior service purchases and the cancelling of reciprocal agreements.

The Board's response to the Minister was presented on September 30, 1991 and copies are available upon request. The Board's report reviewed the Minister's proposal not only on its own merits but also within the context of the plan's history. The original "pension deal" negotiated in 1978 was a provincially sponsored and guaranteed defined benefit plan. The Minister's proposal would have seen the pension deal changed to a fully self-funded plan with the funding risk shared by employees and employers.

The over-riding concern identified by the Board was governance. The issue of governance emerged not out of a desire to gain "control" of the pension plan by any party but rather out of a realization that the pension deal that was originally agreed to and implemented was no longer considered desirable by government. Unless the governance consequences of the "new pension deal" were properly addressed, it would be wrong to impose the discipline of full self-funding on employees and employers. The specific recommendations of the report included:

1) Governance:

A board of trustees (Trustees) be established consisting of employee, employer and government representatives.

The fiscal responsibility entailed in the sponsorship and administration of the plan be transferred by the Province to the Trustees.

The day-to-day administration of the plan be removed from the direct control of a government department and be operated as an independent agency accountable to the Trustees.

2) Unfunded Liability:

A separate accounting of assets and liabilities of the UAPP be provided from the inception of the plan in 1978.

The Province take responsibility for the unfunded liability attributable to the UAPP.

Employees and employers should be asked to share in funding the past service unfunded liability if governance is changed so that to the extent possible the same level of benefits can be maintained for past and future service.

3) Indexing:

Adjustment to pensions in payment be based on a formula instead of the ad hoc system being currently applied by the Cabinet when adjusting pensions.

The indexing formula be based on a formula reflecting the rise in the Alberta Consumer Price Index minus a percentage.

The decision on the level of indexing be made by stakeholders taking into consideration the ability of the plan to fully fund the desired level.

4) Current Service Cost:

Combined employee and employer contributions be set equal to the annual cost of the pension plan with current service costs based on the unit credit method, with no additional funding cushion being applied.

Current service contributions be maintained at a rate sufficient to meet the current service cost of the plan, as certified by a qualified actuary.

The Board presented its report as a first step in developing the dialogue necessary to come to a solution that would be satisfactory to all parties to the "pension deal". Subsequently, the Board met twice with the Minister. Unfortunately, those discussions did not lead to an immediate solution. The Board then advised the Minister that it would be more appropriate that dialogue take place directly with representatives of employees and employers and not through the Board. It is anticipated those direct discussions will occur in early 1992.

APPENDIX A

Excerpts from the Act

The following excerpts of the Universities Academic Pension Plan Act define the make-up and responsibilities of the Universities Academic Pension Plan Board.

Establishment, composition, term of office, etc.

- 5(1) *There is hereby established a board known as the Universities Academic Pension Plan Board.*
- (2) *The Board shall consist of not fewer than 6 persons appointed members of the Board by the Lieutenant Governor in Council, being*
- (a) *the chairman,*
 - (b) *an even number of not fewer than 4 and not more than 10 persons appointed in equal proportions from among persons nominated by*
 - (i) *the employers, and*
 - (ii) *the academic staff associations of the employers, and*
 - (c) *1 or more other persons.*
- (3) *A member of the Board holds office for the term fixed in relation to him by the Lieutenant Governor in Council.*
- (4) *The Minister may prescribe the remuneration and expenses to be paid to members of the Board.*
- (5) *The Board may make rules respecting the calling of and the conduct of business at its meetings.*

Chairman and Vice-chairman

- 6(1) *The Lieutenant Governor in Council shall designate one of the members of the Board to be the chairman and another member to be the vice-chairman of the Board.*
- (2) *The vice-chairman shall act as chairman when the office of the chairman is vacant or when the chairman is absent or unable to act.*

- Support services* 7 *The Minister shall provide such supplies, services and accommodation as he considers necessary to enable the Board to fulfil its objects.*
- Objects of the Board* 8 *The objects of the Board are*
- (a) to conduct the hearing of appeals under Part 6;*
 - (b) to provide advice to the Minister under section 9;*
 - (c) where appropriate, to extend time limits and treat benefit choices as revoked under section 10;*
 - (d) to exercise and perform any other powers and duties assigned to it by this Act and regulations;*
 - (e) to perform any other duties relating to the Plan that are assigned to it by the Minister.*
- Advisory functions of the Board* 9 *The Board may advise the Minister respecting any matters relating to the Plan, including*
- (a) the adequacy of contributions to meet benefits,*
 - (b) adjustments to pensions under section 26,*
 - (c) rates of interest for the purposes of the Plan,*
 - (d) benefits,*
 - (e) reciprocal agreements,*
 - (f) recognition of prior service,*
 - (g) eligibility and participation in the Plan, and*
 - (h) the actuarial tables prescribed or to be prescribed by the Minister.*

*Board's power
to extend time
limits, etc.*

10(1) Where

- (a) a person fails to meet a time limit under the Plan,*
- (b) the failure will or could result in a person's obtaining different benefits than those he would have obtained had the time limit been met, and*
- (c) the Board is satisfied that the failure results from circumstances that import no material fault on the part of that person,*

the Board may, on application to it, extend the time limit.

(2) Where

- (a) the circumstances set out in subsection (1)(a), (b) and (c) apply,*
- (b) the benefit has been received or has commenced to be paid, and*
- (c) the Board is satisfied that a choice, including a deemed choice, that would otherwise be irrevocable under section 39(2) could materially prejudice the best interests of the recipient or his dependants,*

the Board may, on application to it, treat that choice as revoked, extend the time limit for making the choice and order any consequential adjustments in the benefits.

(3) Where

- (a) a benefit choice has been made, and*
- (b) the Board is satisfied that*
 - (i) the choice communicated to the Minister was not that which the person making the choice actually intended, and*
 - (ii) the application mentioned in this section does not result from a change in a person's circumstances affecting the choice,*

the Board may, on application made to it within 3 months from the date when the benefit was received or commenced to be paid, treat the choice as revoked, substitute for it the choice that, in the Board's opinion, the person originally intended to make and order any consequential adjustments in the benefits.

***Appeal to
the Board***

- 34(1) *A party aggrieved by a decision of the Minister under or in relation to Parts 2 to 5 or the prescribed provisions of the regulations, other than a decision under section 31 or one that could be the subject-matter of an application under section 10, may appeal against that decision to the Board.*
- (2) *A party wishing to appeal to the Board under this section must serve the chairman of the Board with a notice of appeal in the form prescribed by the Minister within 30 days of being notified in writing of the decision appealed against or within such longer period as the Board may, on application, allow.*
- (3) *The notice of appeal must specify the decision appealed against and the grounds of appeal.*
- (4) *The Board may identify persons who may be interested in the appeal and may give directions as to the persons to be served with the notice of appeal, whether or not they are parties.*
- (5) *For the purposes of conducting an appeal under this section, the Board*
 - (a) *has all of the duties, powers, privileges and immunities given to a commissioner appointed under the Public Inquiries Act by sections 3, 4, 7 and 9 of that Act, and*
 - (b) *shall be deemed to be a person for the purposes of section 1(a) of the Administrative Procedures Act.*
- (6) *The Board may confirm, vacate or vary the decision appealed against.*
- (7) *The Board shall serve the appellant and persons who received a notice of appeal with a copy of its decision, including the reasons for the decision.*

***Appeal to the
Court of
Queen's Bench***

- 35(1) *A party aggrieved by a decision of the Board under section 34 may, within 30 days of the date of service of the Board's decision on him or such longer period as the Court may allow, appeal to the Court of Queen's Bench on a question of law or jurisdiction.*
- (2) *The procedure in an appeal to the Court of Queen's Bench shall be the same as that provided in the Alberta Rules of Court for applications by originating notice.*
- (3) *The Court of Queen's Bench, on hearing the appeal, may confirm, vacate or vary the decision of the Board or make any order it considers just.*

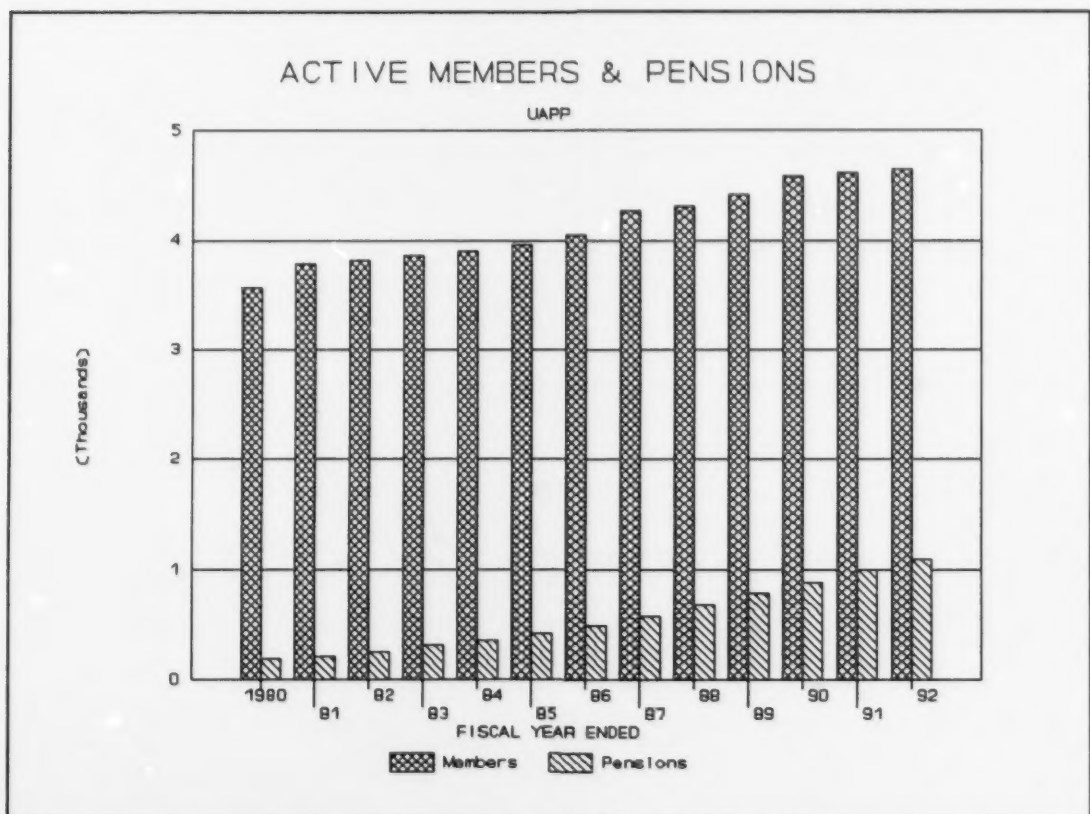
APPENDIX B

Summary of Plan Statistics

Statistics are provided by Payroll and Pensions Division of Alberta Treasury and interpreted by the Alberta Government Pension Boards office.

A. Active Members

Active membership in the Universities Academic Pension Plan increased from 3,560 at March 31, 1980 to 4,642 as at March 31, 1992. The following graph shows the relative changes from 1980 through 1992:

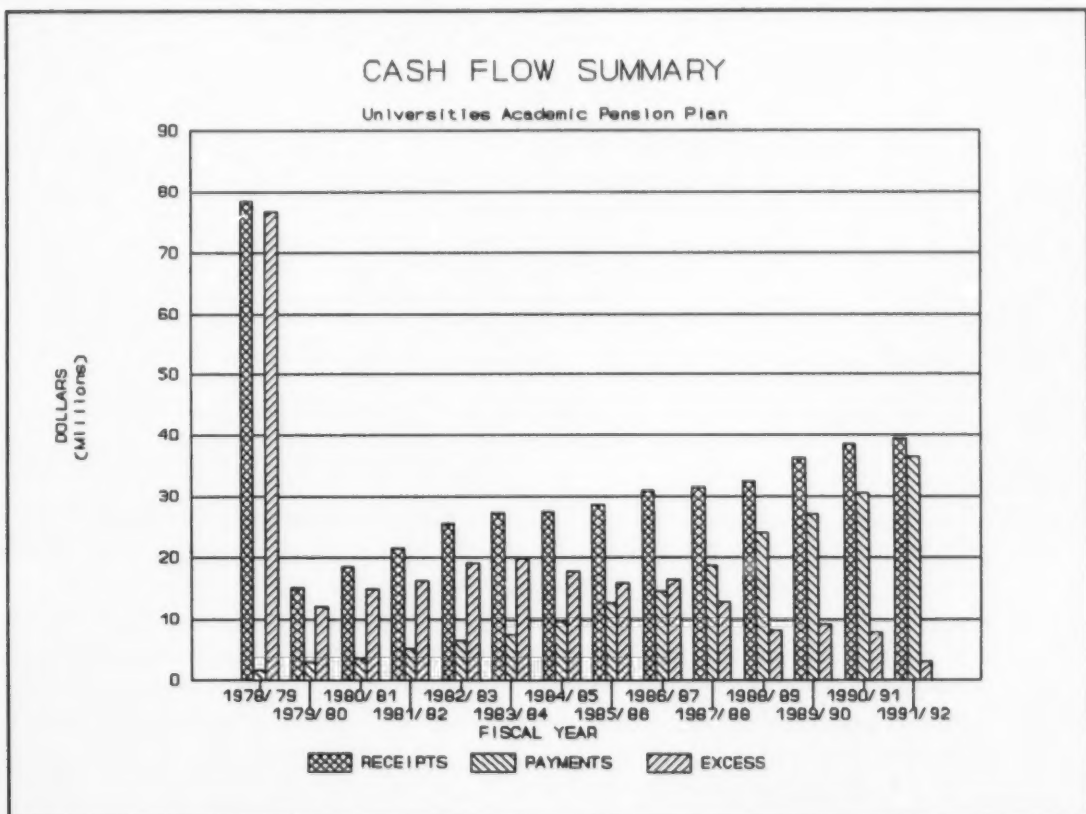


B. Pensions in Payment

Pensions in payment increased from 192 at March 31, 1980 to 1,091 as at March 31, 1992. The previous graph shows the relative increases. The average pension in payment was \$956 per month on March 31, 1981 and increased to \$2,448 per month for pensioners and \$1,576 per month for surviving spouses on March 31, 1992.

C. Cash Flow Summary

The graph below reveals that receipts were \$15,122,621 in fiscal year 1979/80 and increased to \$39,355,000 in fiscal year 1991/92. Payments increased from \$3,057,761 in fiscal year 1979/80 to \$36,332,000 in fiscal year 1991/92. The excess contributions were \$12,064,860 in fiscal year 1979/80 and \$3,023,000 in fiscal year 1991/92. [Figures for fiscal year 1978/79 include a transfer of funds from the predecessor plan].

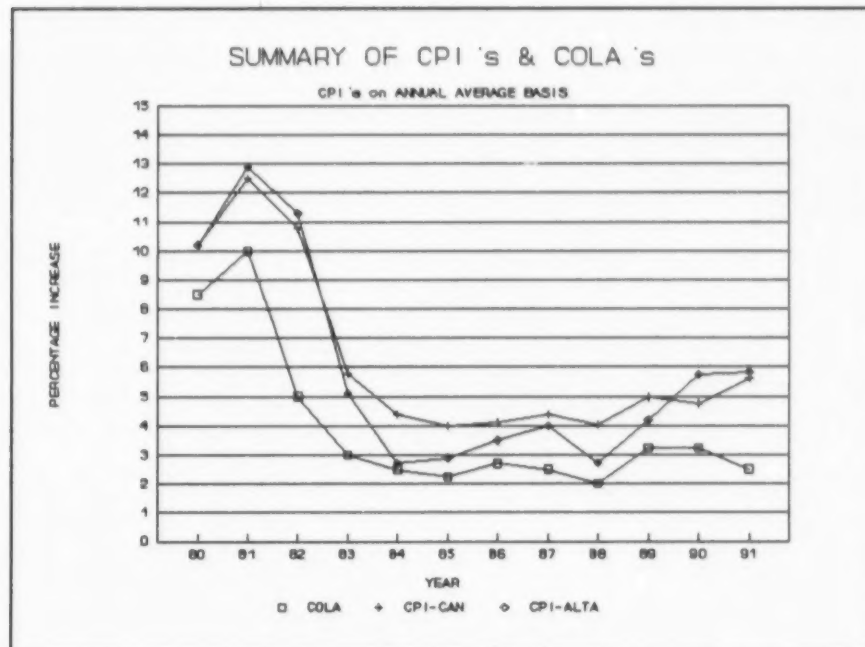


APPENDIX C

Board Recommendations

1. COLA:

Cost of living adjustments to the plan are granted annually (since 1962) by the Minister. The actuarial valuations contemplate a COLA on the basis of 75% of the Consumer Price Index (CPI). The actual COLA that has been granted has fallen short of that target level through out most of the last 12 years.



The graph above shows the COLA's granted on January 1 following the years 1980 through 1991, i.e. the COLA of 3.25% shown for 1990 was granted on January 1, 1991. The Consumer Price Index (CPI) increases are for the calendar years, i.e. CPI-CAN shown for 1990 is the 4.8% increase in the 1990 average CPI over the 1989 average CPI. During the 12-year period the average annual increases were as follows: Canada CPI - 6.3%, Alberta CPI - 5.9%, COLA's granted - 3.9%. Similarly, during the 5-year period 1987 through 1991 the average annual increases were as follows: Canada CPI - 4.7%, Alberta CPI - 4.5%, COLA's granted - 2.7%.